

**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

KGS DIAMOND GROUP S.A.,

Plaintiff,

V.

DK HOLDINGS, LTD.,

Defendant.

Case No. CV-07 8547 (NRB)

ELECTRONICALLY
FILED WITH THE COURT

KGS DIAMOND GROUP S.A. AND DK HOLDINGS, LTD.'S
JOINT SETTLEMENT STATUS REPORT

Plaintiff KGS Diamond Group S.A. (“KGS”) and Defendant DK Holdings, LTD. (“DK Holdings”), by and through their undersigned counsel, hereby submit a Joint Settlement Status Report advising the Court on the current status of the parties’ settlement negotiations, as ordered by the Court during an April 25, 2008 telephone conference.

KGS filed this lawsuit alleging that DK Holdings has infringed KGS's patent by selling in the United States certain abrasive grinding pads known as "Dia-link" pads. Following the Initial PreTrial Conference, attorneys for both parties agreed to exchange information in an effort to resolve this dispute without litigation. As part of an agreed upon settlement process, on February 20, 2008, DK Holdings sent KGS a letter providing product and sales information for the past six years. DK Holdings' U.S. sales of allegedly infringing products are in relatively small amounts and the parties remain hopeful of settlement.

On March 28, 2008, DK Holdings filed a Settlement Status Report (Dkt. 12) and, KGS filed a separate Status Report, which expressed its belief that the parties may be able to resolve this case amicably. (Dkt. 13).

Thereafter, counsel for DK Holdings received a telephone message from the Court and counsel from KGS on April 1, 2008. In the message, the Court expressed its understanding that the parties were in the process of negotiating a settlement and agreed to grant the parties an additional three weeks to determine whether the case could be resolved without litigation. The parties were instructed to provide the Court with an updated status report on April 22, 2008.

Pursuant to the Court's requirement, DK Holdings filed an Updated Status Report, which noted that on the preceding day DK Holdings' counsel was informed that KGS's attorney of record, Anthony Handal, no longer is employed by the law firm Brown, Rudnick, Berlack, Israels, LLP and that the status of KGS's representation was then unknown. (Dkt. 14 at 2-3).

On April 24, 2008, counsel for DK Holdings received a telephone message from Mr. Handal advising counsel that he is currently working at the law firm of Thompson Hine LLP and that he has assumed the representation of KGS. DK Holdings was also informed of the Court's request for a telephonic conference on the following day to ascertain the status of KGS's representation and to further discuss the settlement process.

Shortly before the April 25th conference call with the Court, DK Holdings received an oral settlement offer from KGS's counsel. As a result of KGS's recent proposal, the Court instructed DK Holdings to provide KGS with a counteroffer by May 7th, followed by

the submission of an updated settlement status letter on May 14, 2008. In accordance with the Court's request, KGS and DK Holdings jointly submit the following report.

Following the April 25th telephone conference, the parties engaged in a number of substantive settlement communications and have moved closer to settling this litigation. Because of the progress made during the past few weeks, the parties are hopeful that with continued discussions a settlement agreement will be reached shortly.

Therefore, the parties respectfully request that this Court grant a three week extension to permit continuation of the settlement process followed by the scheduling of a further pretrial conference to discuss the progress made during negotiations.

DATED: May 14, 2008

Respectfully Submitted,

THOMPSON HINE LLP

MORGAN, LEWIS & BOCKIUS LLP

By: ”s/”Anthony H. Handal
Anthony H. Handal (CT03837)
335 Madison Avenue 12th Floor
New York, New York 10017-4611
Tel: (212) 908-3912
Fax: (212) 344-6101

Attorney for Plaintiff
KGS Diamond Group S.A.

By: “s/” Jennifer L. Dereka
Jennifer L. Dereka (JD-1577)
101 Park Avenue
New York, New York 10178-0060
Tel.: (212) 309-7137
Fax: (212) 309-6273

Eric Kraeutler
Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103
Tel.: (215) 963-4840

Attorneys for Defendant
DK Holdings, LTD.